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FARM TENANCY

By: Paul V. Maris
Director, Tenant Purchase Division
Farm Security Administration

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Throughout all the years of its history this country has adhered steadfastly to the ideal of owner-operated farms. When early colonists who had received large grants of land in America from the King of England attempted to exact rents from pioneer settlers they met with resistance because those settlers had come to America in quest of freedom and the right to have and to hold the land which they tilled. When the new national Government, after the close of the Revolutionary War, sought to recoup its finances by the sale of its vast public domain, it found that revenues from those sources were of secondary importance to the settlement and development of the country. So in order to facilitate and encourage farm ownership the Government, up to the year 1891, sold good land for fifty cents, a dollar, and a dollar and a quarter an acre. In 1841 the Preemption Act of Congress recognized the vested interests of squatters who had established farms and homes on the public domain and proclaimed their rights of possession. Still later, 1862, the Homestead Act enabled persons desiring to acquire land for the purpose of farming it to do so without purchase.

Nor have we departed in recent years from this traditional ideal of private property in land, even though, in the words of President Roosevelt, (1) "The rapid increase of tenant farmers during the past half century is significant evidence that we have fallen far short of achieving the traditional American ideal of owner-operated farms." This statement was made on November 16, 1936, to a committee which was asked to report (1) "on a long-term program of action to alleviate the shortcomings of our farm tenancy system."

The issues involved in the question of farm tenancy have deep social, political, and economic significance. The spirit of democracy cannot flourish where ignorance, poverty, insecurity, ill health, and despair are the lot of vast numbers of our rural people. National strength and solidarity spring from an independent, contented, home-loving rural citizenry. The national welfare is best served when this citizenry possesses capacity to buy the products of labor and industry as well as to produce the Nation's supply of food and fibre; when there is incentive for good practices of husbandry, for improving the land, and for developing homes; when there is an interest in good roads, good schools, and good churches; when there are facilities for conserving health; when there are recreational and cultural opportunities. These represent the constants in our national policy with respect to the land and to the people on the land. It has been and is our purpose to safeguard them in an ever-changing and evolving civilization.

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CURRENT STATUS OF FARM TENANCY IN THE UNITED STATES

Against this background of national objectives and ideals, let us take stock of the situation in the United States as it exists at present.

Of the 6,812,350 farm families in the United States, 2,865,155, or 42 percent, were farm tenants in 1935. In 1880, 25 percent of the farms were tenant-operated. Between 1930 and 1935, the percentage of tenants did not increase, but the actual number of tenants did. The President's Committee on Farm Tenancy (1) reported in 1937 that "For the past 10 years, the number of new tenants every year has been about 40,000." The same report indicates that the actual equity of owners in their farms is decreasing.

Some tenants operate large farms, own ample equipment, obtain substantial incomes as farm incomes go, and are in general well to do. Many tenants of this type are tenants by choice, preferring to invest their capital in livestock and equipment rather than in land. They are thus able to operate on a larger scale than they otherwise could. These well to do tenants are found mostly on good land in the better farming sections of the country. Also included among the tenant class are some half million whose landlords are relatives and who may some day inherit part or all of the farms they occupy. Their outlook is often hopeful.

Contrasted with this group of tenants-by-choice is a larger, and from the standpoint of our democracy, a more significant group of tenants-by-necessity, who have low incomes and low standards of living. Many of them occupy poor land. However, some of the best agricultural lands are occupied by some of the most impoverished tenants. In a Social Research Report of the United States Department of Agriculture, "Disadvantaged Classes in American Agriculture," (2) the authors report:

There were, in the United States in 1929, approximately 1,700,000 farms which yielded gross farm income of less than \$600, based on value of products sold, traded, or used; a few more than 900,000 farms that yielded less than \$400 income; and almost 400,000 farms that yielded less than \$250. On these farms yielding less than \$600 income, approximately 7,700,000 men, women, and children lived, whose lives were disadvantaged because of the lack of purchasing power.

All of these low-income farms are not tenant-operated. Some of them are operated by debt-burdened owners struggling against heavy odds of small uneconomic units, poor land, and inadequate capital and equipment.

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In 1936 the Farm Security Administration made a study of the economic status of several hundred rehabilitation clients in selected type-of-farming areas in different States. The following facts were ascertained concerning 287 cotton tenant farmers in the hill section of Arkansas: Their total cash income from all sources averaged \$134.71 per year. The average value of their household goods was \$27.86. The average value of all their worldly goods was \$305.61, against which there were debt obligations of \$220.17, leaving an average net worth of \$85.44.

The circumstances of 489 cotton tenant farmers in the Piedmont section of Alabama and 384 cotton tenant farmers in the Delta section in Mississippi, although slightly better, were not essentially different. Three hundred and seven tenants in the flue-cured tobacco section of North Carolina, and 596 tenants in the Corn Belt sections of Illinois and Nebraska, had total average incomes ranging from \$425 to \$499 and average net worths ranging from \$438 to \$594.

The reader would do well to contemplate these data. The tenants in the cotton areas of Arkansas, Alabama, and Mississippi included in the above study were among the estimated 400,000 in the United States whose income falls below the \$250 yearly total. They had average-sized families of around five members. In general, they were old residents who had farmed on various farms in their respective counties for years. They had had time to climb the agricultural ladder, but they were not climbing. Their acres in crops ran 23 in Alabama, 23 in Arkansas, 20 in Mississippi. The mule was the principal asset. Homes and wardrobes were bare; diets meager; malnourishment and disease prevalent. It is these conditions that gave rise to the statement contained in the report of the President's Committee on Farm Tenancy (1), that "Approximately one farm family out of four occupies a position in the Nation's social and economic structure that is precarious and should not be tolerated."

Rupert B. Vance of the Social Research Staff of the University of North Carolina says (3):

Unless one has actually observed the way tenants live, the meaning of such low incomes is hard to visualize. Tenant housing is the poorest in the nation, often consisting of two or three-room unpainted shacks with but one thickness of boards. Their customary clothing of patched overalls or faded gingham dresses show that tenants, black and white, get very little of the finished products of the cotton they grow. Their basic diet -- fatback, cornbread, molasses, and sweet potatoes -- has been well publicized by the researches of the United States Public Health Service in a study of the basic causes of pellagra.

Included among the 2,865,155 tenants are 716,000 sharecroppers who in general own no livestock or equipment and exchange their labor for a share of the crop. As farm machinery comes in the tendency is to shift sharecroppers to the day-laborer status. In either category their position is at the bottom considered from a standard-of-living or income viewpoint.

The regions of greatest density of tenancy, where the largest number of counties are found in which more than half the land is farmed by tenants, are in the southern cotton-growing areas and in the heart of the Corn Belt. The Appalachian and Ozark Highlands, the Cotton Belt, the Lake States cut-over area, and northern New Mexico and Arizona are the areas characterized by the lower income groups of tenants.

FACTORS AFFECTING THE GROWTH AND CONTINUANCE OF TENANCY

Land Speculation:

Speculation in farm land by persons seeking to profit from rising prices has contributed much to the growth of farm tenancy in the United States. When prices of land advance under the stimulus of speculative values to levels that are not justified by income-producing capacity, operators of such land who are dependent for their livelihood upon what it will produce are trending in the direction of bankruptcy. Many have arrived at that destination, especially during the depression years following the boom in farm prices. If overvalued farms are free of debt their operators may carry on by foregoing returns on their land investment and utilizing all their income for living and operating expenses. This, however, is not the prevailing situation. The farm mortgage debt of this country was estimated at \$7,071,000,000 on January 1, 1939. It was \$10,751,000,000 in 1923. Much of the decrease between these two dates was due to foreclosure proceedings and debt write-off. These mortgage debts represent generally inescapable obligations that must be met from farm earnings. Injudicious credit financing coupled with over-valuation of land have played havoc with farm ownership.

In the history of the country to date speculator interests have in general prevailed over operator interests. Land as a rule has been priced at more than it was worth on an earning-power basis, and as a result the lot of the tiller of the soil has been made continuously harder.

The jump in a half century from a free homestead to a farm salable at \$250 an acre suggests a speculator's paradise. Now that the country has come of age the trend may be toward values based more definitely on earning capacity, but the ups and downs of business will doubtless provide continued opportunities for speculation in land. Unless controls are instituted land speculation will in all probability continue to breed farm tenancy.

The Plantation Pattern:

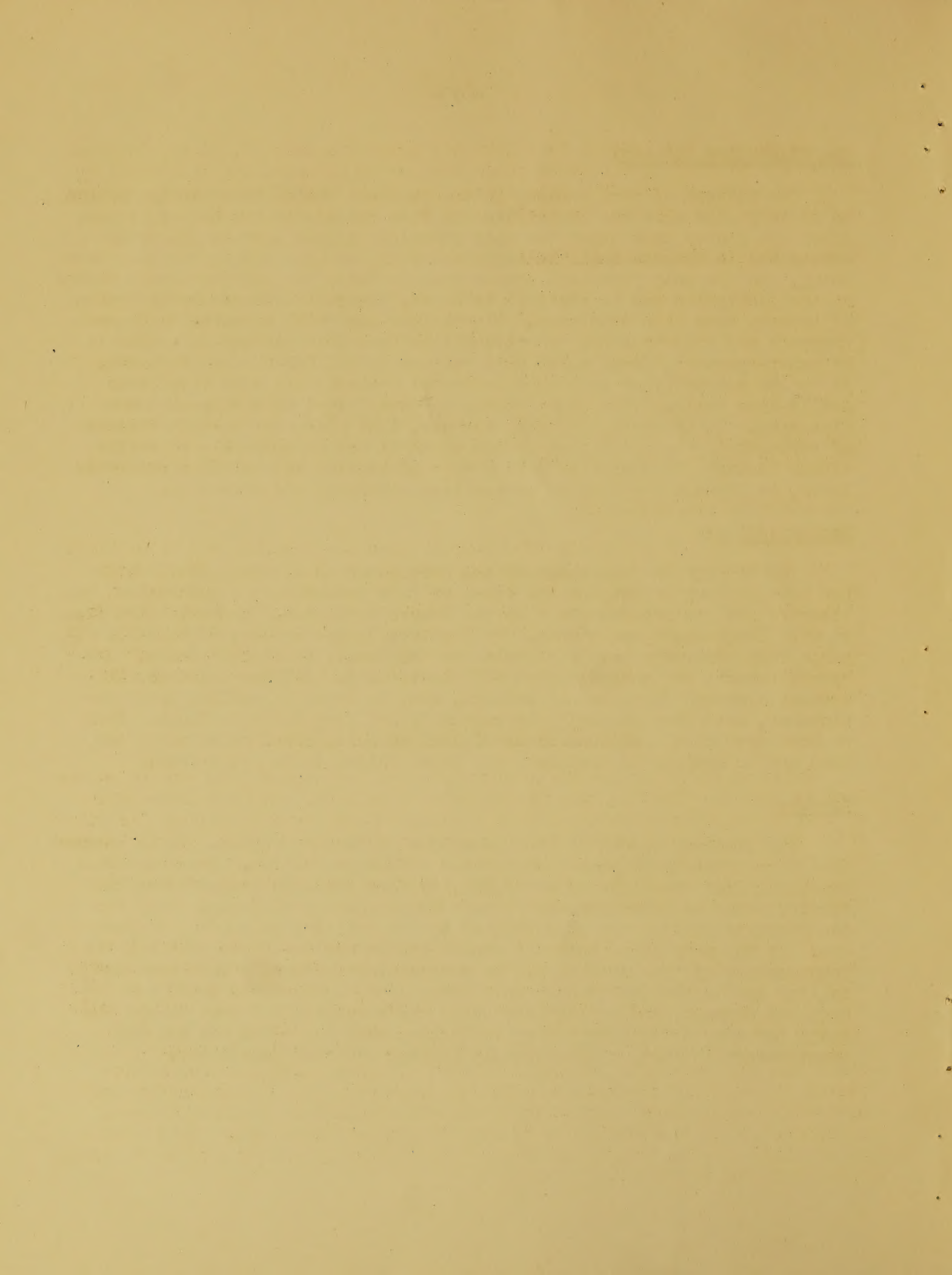
The pattern of farm economy in the Southern States that had its origin in slavery days also has contributed to farm tenancy in the United States. After the slaves were freed the only practical course open to plantation owners was to operate their holdings as nearly as possible as they had been doing, and the only practical course open to those who had previously worked on the plantation was to continue to do so. Hence the sharecropper system of tenancy came into existence. Plantations are still operated by sharecroppers and farm tenants. The transition from this pattern of tenure to an owner-operated, family-size unit pattern is difficult of achievement. It can be accomplished best when entire plantations are subdivided into family-size units. This necessitates a special type of arrangement and financing. It is worthy of note, however, that there are certain elements of strength in the plantation system which it may be desirable to retain, either through the device of a high type of tenancy such as that described later, or through a system of cooperative ownership and operation.

Mechanization:

The transition from manpower and horsepower to machine power, which has been gaining headway on the farms of this country for a generation, has likewise had its repercussions on the tenure situation. Mechanization fits in with large-scale operations. It involves larger outlays of capital. It makes farm ownership more difficult for the farmer of limited means. It crowds tenants and sharecroppers off plantations. In some instances it creates a demand for seasonal workers, who, in order to prolong their employment, move from community to community and from State to State. Thus we have developed a migrant class of land workers, whose relation to the land and to society is anomalous and whose existence is precarious.

Credit:

Satisfactory credit is the handmaiden of farm ownership. It is assumed that approximately 20 years constitutes a farm generation. Thus each year something like one-fifth of our 6,812,350 farm families are entering the farming ranks as inheritors or renters or purchasers of farms. They are the recruits filling the gaps created by the retiring generation of farmers. It was many years before a credit system was developed that met the requirements of this situation. An unscrupulous deacon, a farm mortgage falling due in the full amount on a given date, a widow who could not meet the payment, and a kind benefactor who saved the day have formed the basis for many a thrilling story in fiction that too often has had its counter-part in fact, though usually lacking the kind benefactor.



In passing the Federal Farm Loan Act (approved July 17, 1916), Congress set up a system of credit under which farm mortgage debts may be retired by annual payments spread over many years, but until installments are permitted to fluctuate with income the credit need will not be fully met.

Prices, Taxes, and Other Factors:

The continued drift toward tenancy has been augmented by the unfavorable price ratio between what the farmer sells and what he buys, which has prevailed in post-war years and at other times throughout history. The heavy share of the mounting tax load borne by real property has been another contributing factor. High distribution and selling cost have likewise made it more difficult for owners of farms to retain their equities. In general, all conditions that have affected agriculture adversely have had a bearing upon farm tenancy. Conversely, the many constructive measures for alleviating farm distress inaugurated in recent years have had a salutary effect.

Good Lands Largely Occupied:

The remedy for declining ownership and mounting tenancy cannot be found in any measurable extent in the development of new farm land. While irrigation of arid land, drainage of swamp land, and clearing of timbered or stump land may add to the sum total of tillable acres in the United States, the opportunities in this direction are relatively limited. Practically all of the good farm land is now in use, and much of it is occupied by more people than it can maintain in a manner compatible with American living standards.

ADJUSTING THE POPULATION TO THE LAND

Quite as difficult as the problem of providing security of tenure on the land is that of adjusting the population to the land. From the standpoint of logical sequence adjustment should command first consideration. The situation in this respect is now bad. If present economic and biological tendencies persist unrestrained, it promises to remain so for years to come and this at the expense of national welfare. Let us consider some of the facts upon which these generalizations are based.

The land resources of the New England States are limited. Part-time farming has gained a foothold there. As industrial employment has declined, many part-time farmers have been deprived of their weekly pay checks in mills and factories. An extra burden has been forced upon the land. Relief rolls and WPA (Works Progress Administration) rolls bear testimony to the fact that the land could not take up all the slack. Relatively the saturation point has been reached. But still many of the urban unemployed have contrived to establish themselves on little pieces of land in the country and have then sought expert advice on how to wrest a living from their meager holdings. Often the problem is beyond the ken of the expert. The pressure on the land is more than it can bear, even when subjected to intensive scientific cultural practices.

In Southern States, Farm Security officials have asked State advisory committees, "How about the one-mule farm? Is it an economic unit for a farm family?" The answer has been "No." There are instances in which "20 acres and a mule" are supporting families in reasonable respectability, but generally speaking, there are not enough wealth-producing potentialities in that set-up to permit its acceptance as a standard at which to aim. Since the one-mule farm is prevalent in the South, a readjustment of population to the land is called for there before a foundation for security on family-size farms can be laid.

In the northern and southern Great Plains, where drought and dust storms have precipitated a gigantic battle between men and the forces of nature, the universal verdict appears to be that nature will be served and that a system of farming must be evolved that will utilize and conserve the resources that are there. More vegetative cover, less cultivation of the soil, larger dependence upon livestock and less upon crops are the remedial measures, and to apply them the farm units must be larger. It follows that as they become larger they must become fewer. Many families have already migrated from the area, but the adjustment of the population to the land along the one hundredth meridian is far from accomplished. Still more displacement may be anticipated.

The Dust Bowl refugees, emigrants from the drought-stricken areas of the northern Great Plains, and the displaced tenants and sharecroppers from mechanized plantations of the South have moved westward to the Pacific coast. The Pacific Coast States have been unable to absorb them as home-owning farmers or permanent tenants. The 1,200,000 acres to be reclaimed under the Grand Coulee project may accommodate as many as 30,000 families, but it is estimated that some 300,000 unsettled migratory farm families are in the area. All contemplated reclamation projects combined will not supply them with farms. They present an acute problem of adjustment of population to the land.

The Lake States likewise have an adjustment problem. Many units there are said to be too small for economic operation.

This brief review by major geographical regions of the United States merely serves to bring distinctive regional problems into focus. It is true that in all these regions some communities are supporting an optimum number of farm people on an acceptable level of well-being. Some sections are characterized by a high state of well-being among farm people. Usually these are good land areas where units are relatively large, investments are relatively high, and operating equipment is adequate.

Then there are the population-pressure areas where resources are meager, where poverty is chronic, and where no adequate remedy seems possible short of readjusting the population to the land.

The problem in general assumes still greater complexity when considered in relation to population increase. Reproduction of the race is proceeding at a more rapid rate in rural farm areas than in rural nonfarming areas or in urban areas. (2) Without migration the population in the lowest-income farm counties of the country will double in 30 years.

It goes without saying that this increase cannot be absorbed on the farms. Prospects for employment in the cities is not encouraging. The gains in industrial employment in recent years have just about been offset by like gains in the number of employable persons seeking jobs. The number of unemployed have therefore remained at a fairly constant level. It is estimated that a million young people remained on the farm during the depression years who would normally have gone to the cities. It is further estimated that as a result of gains in efficiency through mechanization and scientific methods, 1,600,000 fewer workers on farms could supply our present domestic and foreign needs for farm products.

These facts collectively constitute the evidence that our present serious maladjustment of population to the land promises to continue for years to come if present economic and biological trends are not altered.

Whether we as a people are prepared to come to grips with the issues involved and take whatever steps may be necessary to attain and preserve a distribution of people on the land that will provide the maximum number with economic units, reasonable guarantees of security in their tenure remains to be seen. The governments of many nations have faced the problem and dealt with it in one way or another. Fortunately, we have the record of their experiences for our guidance. Likewise, we are accumulating some experience of our own under legislation enacted in recent years.

MEASURES FOR SECURING A BETTER ADJUSTMENT OF THE POPULATION TO THE LAND

Existing Legislation:

(1) Homestead tax exemption laws have been passed in recent years in Alabama, Arizona, Arkansas, Florida, Iowa, Louisiana, Minnesota, Mississippi, Oklahoma, South Dakota, Texas, Vermont, West Virginia and Wyoming. These laws usually set up a stated acreage not to exceed 40 acres in Iowa, 200 in Texas, and 160 in most of the other States, upon which there is a tax exemption up to a certain stated valuation. Wyoming exempts on the stated acreage up to a valuation of \$500, whereas Florida, Mississippi, and Vermont exempt up to a \$5,000 valuation. The amounts in other States fall between these two extremes. Alabama, Georgia, Louisiana and Utah exempt up to \$2,000; North Carolina, Oklahoma, and Arkansas \$1,000. Usually the exemptions do not cover special assessments, such as irrigation and drainage-district improvements. These homestead exemption acts are a distinct protection to owners of family-size farms. They might appropriately be extended into other States and be drafted with a more definite view to safeguarding a suitable economic unit for a farm family.

(2) In 1939 the legislature of North Dakota passed an act providing that if the defaulting of any mortgage payment on farms results from crop failure or other disaster, the mortgagor may petition the court for a continuation of proceedings. If the default occurred prior to March first the continuance will be granted until March first of the following year -- if after March first, until the second succeeding March first.

(3) Title I of the Bankhead-Jones Farm Tenant Act approved July 22, 1937, (4) authorizes loans for the purchase of farms upon which competent, industrious families can make a livelihood. This gives legal recognition to the family-size-farm concept. Some farms are being purchased that have heretofore been family-size units operated by tenants. Hereafter they will be owner-operated. In other instances, large units are being subdivided into family-size units. It cannot be claimed, however, that the operation of this law within its present scope is an adequate approach to the large and complex problem of adjusting the population to the land. It will be helpful in setting a pattern of family-size farms and providing valuable information with respect to their operation.

(4) The Taylor Grazing Act, which regulates grazing rights and usage on the public domain, is a distinct move in the direction of better adjustment of users to the land, but it touches primarily the great open spaces and not the areas of dense farm population.

(5) Thirty-six States now have laws authorizing the creation of soil conservation districts, which are clothed with certain authority in the matter of adjusting land use. The legislation is not designed or intended as a frontal attack upon the problem of adjusting the population to the land, but the local directors of such districts will, in the discharge of their duties, in all probability encounter problems of adjustment and propose courses of action. Such a result may be a minor and beneficial by-product of this legislation.

(6) In connection with its rehabilitation program the Farm Security Administration is making some loans in the northern and southern Great Plains areas called "unit reorganization loans." These are loans to finance the operation as a single farm of what have heretofore been operated as two or three or even several farms. Setting up family-size units that will be successful in the area is the aim. It is a direct move toward correcting maladjustment of population to the land.

The above list of existing laws is not presented with the idea that singly or collectively they will have any material effect on the total problem under consideration. They were not instituted essentially for that purpose.

Proposed Legislation:

More specific and pertinent are the following recommendations quoted in full from the 1938 report of the Iowa Farm Tenancy Committee (5):

Different Taxation of Farms

It is recommended that a special committee be appointed to make a thorough study for the purpose of discovering the most equitable and effective way to discourage the concentration of large land holdings by means of differential taxation, such as a moderate surtax levied on land holdings exceeding a liberal amount of acreage, or, preferably, assessed valuation.

It is believed that if associated with ample credit facilities and other positive measures of encouraging farm home ownership, the gradual but steady pressure of differential taxation might exert an influence in favor of family-size farms by owners.

Tax On Capital Gains From Sales of Land

It is recommended that a provision be inserted into the State Income Tax Law imposing a specific tax on capital gains from the sale of farm lands. Due allowance should be made for improvements or other enhancement of value brought about by the owner. Provisions should be made that losses sustained from the sale of farm land during the same year may be deducted from gains before the tax is levied.

Bills dealing with land use and land tenure have been introduced in a number of State legislatures in recent years. This reflects a growing public interest in the subject, but very little significant legislation has actually been enacted.

Legislation in Other Countries:

The fundamental problems of land tenure now confronting this country have manifested themselves in many countries of the world and have given rise to significant legislation under which significant developments have occurred. When poverty, insecurity, and instability have become so prevalent and widespread among tillers of the soil as to constitute a grave national problem, remedial measures have usually been instituted by the governments concerned. In accomplishing land tenure reform two general courses have been pursued: (1) converting tenants into owners and (2) improving the status of tenants without converting them into owners. Legislation in other countries reveals the fact that the size or adequacy of farm units has been a problem there as well as here.

The land laws of England and Scotland have dealt primarily with establishing and safeguarding the mutual rights of tenants and landlords. The final result is a system of law, custom, and tradition under which tenants enjoy advantages and satisfactions usually achieved elsewhere only through ownership. However, England has also enacted legislation to facilitate ownership of small holdings. Seventeen million pounds (\$83,000,000) (1) were appropriated for this purpose following the World War. Some of the conditions which the purchasers of holdings are required to meet are of special significance: (1) "The holdings must not be divided, sold, assigned, let or sublet. The holder or his family must cultivate it. No house may be erected without the consent of the council; there must be only one house to a holding; and dwellings must meet conditions imposed by the council in regard to healthfulness and freedom from overcrowding."

Ireland and Denmark provide outstanding examples of the benefits of land tenure reform wisely conceived and executed. In each country the condition of farm tenants and farm laborers was very bad before reforms were instituted, and in each country the transition from tenancy to ownership has been characterized by marked social, economic, and political progress.

A similar generalization can be made with respect to the Scandinavian countries. France divided her landed estates and vested her peasants with ownership in 1789.

The most sweeping measure taken by any country in modern times to gain control of the distribution of its agricultural lands has been the complete socialization of land by the Union of Soviet Socialist Republics. Such a measure permits whatever adjustment of people to the land the Government may desire. Speculation in land is totally eliminated. Right to use the land may be made as permanent and secure as desired and adequate safeguards may be established against abuse of the land. However, the people of this country are not likely to resort to so drastic a measure. Our pattern of individual ownership is too deeply rooted. There are fears that evils of public administration would enter in that would make the cure worse than the disease.

In 1917 the Mexican Government inaugurated a program consisting of (1) "governmental regulation of private property rights in land; (2) promotion of land ownership by villages analogous to the tribal ownership existing before the Spanish Conquest; and (3) creation of family-size farms for individual owners." Holdings desired for this purpose are "expropriated" by administrative action and the owner is compensated on the basis of assessed value plus 10 percent.

In 1933, the German Government set up (1) "Inherited freeholds," consisting of family-size units of farm land which are passed in their entirety from one generation to the "next in line" in the succeeding generation. These freeholds are safeguarded by restrictive legislation precluding their sale

or subdivision. They cannot be mortgaged. An owner of an inherited freehold cannot own another farm. He must maintain his freehold in good repair, conserve the soil, and follow good farming practices. The effectiveness of this Freehold Act in safeguarding the owner-operated family-size farm in the German national economy should be carefully observed.

LINES OF ACTION THAT WILL TEND TO INCREASE FARM OWNERSHIP

Title I (4) of the Bankhead-Jones Farm Tenant Act was listed among measures for securing a better adjustment of population to the land. It is primarily a measure for increasing ownership of family-size farms. Its purposes are carried out by direct loans to "farm tenants, farm laborers, sharecroppers, and other individuals who obtain, or who recently obtained, the major portion of their income from farming operations." Administratively, "Other individuals" is being so interpreted as to avoid aid or stimulus to a back-to-the-farm movement. Actual farm families or recently displaced farm families are the beneficiaries.

"In making available the benefits of this title, the Secretary of Agriculture shall give preference to persons who are married, or who have dependent families, or, wherever practicable, to persons who are able to make an initial down payment, or who are owners of livestock and farm implements necessary successfully to carry on farming operations. No person shall be eligible who is not a citizen of the United States."

Loans are available "in such amount as may be necessary to enable the borrower to acquire the farm and for necessary repairs and improvements thereon." The period of the loan is 40 years. The interest rate is 3 percent. Annual repayments are amortized, and they may be large in good years and small in bad years, so long as they average out in such a way as to liquidate the loan in 40 years.

Each loan is secured by a first mortgage or deed of trust. Each borrower is required to maintain his property in good repair, keep it insured, and practice good husbandry. He agrees in his loan application to keep such records and accounts of his income and expenses as may be required. County committees consisting of three farmers pass upon the eligibility of applicants, and upon the suitability and value of the farms which they desire to purchase.

Two years of experience have now been gained under the operations of this act. In 1937 Congress appropriated \$10,000,000 for such loans and 1837 loans were made. In 1938, \$25,000,000 was appropriated and 4,340 loans were made. The appropriation for the current year is \$40,000,000. This is \$10,000,000 less than the law authorizes to be appropriated.

A total of 146,000 applications was received in 1938 and 1939 from persons desiring loans. This was an average of 34 applicants per loan. County committees report that many applicants, rejected because the loan fund was exhausted, were well qualified to receive loans. No great difficulty was experienced in purchasing family-size farms at prices believed by county committees and Farm Security Administration officials to be in line with their earning capacity. The limited check on borrowers' willingness and ability to repay their loans afforded by the first year's collection experience was favorable. No serious administrative difficulties have been encountered in carrying out the law.

Having inaugurated a program which gives promise of attaining the ends sought, the question is how far should it be carried and at what rate should it be expanded. The President's Committee on Farm Tenancy (1) recommended that the program be started in a small way and that "as the wisdom of the new policy is demonstrated, the program can be greatly expanded." That Congress acted in conformance with this recommendation has been very advantageous from an administrative standpoint. But now the foundations are laid. It is appropriate to consider ultimate objectives. Since 1870, tenancy in Ireland has been reduced from 97 percent to 3 percent. Denmark has made a similar record in changing from large estates to small family-size farms. Should the United States, following the example of these countries, aim at the virtual elimination of tenancy in the next 40 or 50 years?

It appears that a wiser course would be to proceed along two lines of endeavor, one leading toward a better balance between owner-operated farms and tenant-operated farms and the other leading toward an improvement in the status of tenancy itself. The possibilities of improving the status of tenancy will be discussed separately. If landlords and tenants can be induced by enlightened self-interest or required by law to abandon certain vicious leasing customs, and if security of tenure and incentive for protecting and improving leased property by tenants is provided, then tenancy can advantageously retain its place as a rung in the American agricultural ladder.

Young couples and others entering upon farming careers may benefit by spending a few probationary years as tenants while they gain experience and accumulate capital, livestock, and equipment. Some may prefer to concentrate their investment in operating goods rather than land and remain permanently in the tenant class. But tenancy should be a stepping stone from which the competent and enterprising may rise -- not a destiny of degradation from which there is no escape.

Granting such improvement in the status of tenancy, it appears that we would have a very wholesome situation if something like 20 percent rather than 42 percent of our farmers were tenants. In other words, if we had about 1,000,000 or 1,500,000 tenants in the United States, instead of 2,865,155, some \$7,000,000,000 would be required to accomplish this reduction as against \$14,000,000,000 to convert all tenants to owners. If this were spread over 25 years, which is a short time in the history of a nation, it would necessitate about 52,000 loans a year. This is not an impossible number from an administrative standpoint if worked up to gradually.

It is not assumed that such an expansion can take place under the Bankhead-Jones Farm Tenant Act as it is now written without encountering difficulties. Only about 10 loans have been made on the average in each of the 732 counties receiving Bankhead-Jones funds during the first 2 years. It has been possible to expand to new counties each year and to keep down the number of loans in any particular county. In several Southern States with large numbers of tenant farmers all agricultural counties are now designated to receive loans, and the number of loans per county will begin to mount progressively. What will be the effect on the price of land? Can family-size farms be bought continuously at prices in line with their earning capacity? There is grave doubt whether a Government-financed land-buying program can go on at an accelerated rate for several years without unduly stimulating land prices. The speculative impulse is deeply ingrained. There is no assurance that boom prices will not be grasped with open arms at every opportunity, whatever the cause of the boom, and notwithstanding the disastrous consequences sure to follow.

The President's Committee on Farm Tenancy (1) foresaw this situation, and recommended the purchase of land by the Government and its subsequent resale to eligible applicants. It was thought that speculation could in some measure be forestalled in this manner, and also that by retaining title for an extended period the Government could prevent borrowers from selling their farms for the sake of quick and easy profits.

There was, however, opposition to the "Government's going into the land business." The process of Government purchase and sale of land is cumbersome and slow.

Nor can the Government itself escape the obstacle of price inflation unless it is clothed with authority to compel sales at appraised prices. This authority has been exercised by the Governments of the following 25 nations in achieving their purpose of dividing large land holdings into family-size units: Mexico, Ireland, Scotland, England, Wales, Germany, Denmark, Rumania, Bolivia, Chile, Norway, Brazil, Uruguay, Paraguay, Poland, Greece, Hungary, Australia, Austria, Bulgaria, Yugoslavia, Soviet Republics, the Netherlands, Belgium, and Czechoslovakia. There is, therefore, ample precedent for exercising the right of eminent domain in the process of land subdivision. It remains to be seen whether a program for the development of family-size farm units can proceed to any great lengths in this country without legislation authorizing condemnation proceedings. Should such legislation be found essential and desirable it should make provision for compensating owners on the basis of earning-capacity determinations.

A point advanced by advocates of Government purchase and resale of land, as contrasted with lending money to enable borrowers to purchase farms directly from private owners, is that under such an arrangement applicants can be granted probationary leases or conditional sales contracts, which can be exchanged for deeds after a suitable time when the prospects make good.

No system of selecting applicants that is infallible, can be devised. Notwithstanding painstaking efforts by county committees to choose wisely, nearly 1/2 of one percent of the borrowers approved for Bankhead-Jones Farm Tenant Loans during the first two years asked to be released from their obligations. This suggests the advantages to both buyer and seller of a probationary period during which uncertainties and doubts as to future plans and intentions can be reduced to a minimum.

The variable payment provision of the Bankhead-Jones Farm Tenant Act, the effect of which is to permit borrowers to pay off their loans as they are able, is a great boon to the farm purchaser. It relieves him of anxiety with respect to foreclosure when seasons are unfavorable and fixed installments cannot be met. The creditor is protected by the administrative provision that abuse of the variable payment privilege will result in its withdrawal. If this plan operates successfully it should be incorporated generally in land-purchase financing.

More emphasis upon earning capacity of farms in determining the price to be paid and less upon their resale or security value should further facilitate ownership.

LINES OF ACTION THAT WILL TEND TO CORRECT EVILS RESULTING
FROM CURRENT FORMS OF TENANCY

Improvement in the status of tenancy itself offers the most direct and immediate remedy for many of the current evils of the American land-tenure system. Attitudes, customs, and traditions are the principal obstacles involved in traveling this route to betterment, while law, economics, and credit play a large role in the division of land holdings, transfer of titles, and subsequent safeguarding of farm ownership. Merely by common consent and the widespread adoption of tried and proved practices of land leasing, insecurity and instability can be substantially reduced and tenants can be provided with incentive for improving the homes they live in, the land they till, and the communities in which they live and have their being. Through guarantees of security and reasonable assurance of an opportunity to enjoy the fruits of productive effort, an environment may be created in which hope, courage, and enterprise may thrive.

Who profits by a situation in which a landlord will not repair a leaky roof because it leaks upon his tenant, and the tenant will not repair it because he expects to move to another farm before another season? To what end will such a policy lead in the long run? To what end has it already led in the poorer tenant and sharecropper sections of this country?

Other countries have proved that tenancy and security are not incompatible. Charles L. Stewart of the University of Illinois, in the October 1939 issue of "Rural America," (6) describes his visit to the home of Signor Vittorio Gelli, located on an Italian farm which the present Signor Gelli and his ancestors have leased from Prince Borghese and his ancestors continuously for 932 years. The dwelling house was built in the year 902. As Dr. Stewart describes it, it is still livable. Its durability cannot be questioned. Dr. Stewart reports further that in April 1938 announcements were made in Rome of the recognition of 81 families: "Two families had a tenure of over 800 years; three families over 700; one over 600; two over 500; fifteen over 400; thirteen over 300; seventeen over 200; and twenty-six for more than a century."

England affords an outstanding example of how stability, security, and well-being can be achieved through wisely conceived and well administered tenure laws and leasing practices. English tenants are deeply rooted to the land they occupy. The results of generations of effort to solve perplexing land problems bear testimony to the fact that effort to improve the status of tenants has been worth while.

Since nearly half our farm land is farmed by tenants, since we have not yet stemmed the tide toward tenancy, and since increases in ownership under any program likely to be pursued will come slowly, it follows that we should lose no time and spare no effort in moving at once on the broader front of improving the tenure system and landlord-tenant relations.

Two great obstacles confront us. First, customs and practices related to leasing are so deeply entrenched in the habits of the people as virtually to defy change or modification; and second, legally responsible, property owning landlords are reluctant to enter into contractual relations with tenants without property, against whom judgments are assumed to be worthless. Mutuality is the essence of all contracts and it is difficult to attain in landlord-tenant lease agreements before the resources of the tenants have been built up. Surrendering to these obstacles, however, clearly means the perpetuation of a vicious downward cycle which imposes heavy penalties upon the landlords, the tenants, and the general public.

That these obstacles can be overcome in part is indicated by the fact that when persons concerned face the facts together and explore remedies they find common ground upon which they can stand. Conferences on this subject have been held recently in many States. Farm Security Administration officials, State planning boards, farm organization leaders, Land Grant College representatives, the farm press, landlords, tenants, sharecroppers, and others have participated. The problem has been analyzed. Important agreements have been reached. In Iowa, 664 farmers, including 203 owner-operators, 366 tenants, 83 landlords, and 12 unclassified, responding to an exhaustive questionnaire on tenancy, were in hopeful accord both as to the flaws in

their leasing system and the remedies that should be applied. Many present evils of tenancy cannot survive the critical analysis of the open forum. Action may be expected to follow if education is expanded.

Long Term Written Leases:

The remedy for insecurity and frequent moves is the written long-term or automatically renewable lease. Many tenants now operate under nothing more than a vague verbal understanding. The Farm Security Administration with its thousands of rehabilitation clients, mostly tenants, is doing much to introduce the written lease. It discovered that its borrowers were handicapped by insecurity of occupancy; satisfactory farm and home management planning is impossible when occupancy of a farm is limited to a year. Accordingly, after an exhaustive study of the terms and conditions of oral and written leases in various parts of the country, a standard flexible lease form was drafted. It is being widely adopted. Landlords and tenants alike are recognizing its advantages. It seeks to do justice to both.

Preferably, a written lease should cover a period of at least 5 years. As experience is gained the mutual advantages of such long terms will be recognized by both landlords and tenants. Skepticism may, however, render such agreements impossible where there is the greatest need for written leases. Where shorter terms may be necessary for this or other reasons, written annual leases, providing for automatic renewal or continuation in the absence of a written notice of termination filed by either party prior to a stated date, provides an increased degree of security over no lease at all. This type may be necessary in the beginning.

Compensation for Unexhausted Improvements:

To provide incentive for improving land, buildings, fences, and property in general, the lease agreement should include provision for compensating the tenant for improvements that are unexhausted when he leaves the farm. Conversely, the agreement should assess penalties against the tenant for damage to property due to his carelessness or negligence. Properly financed, and assisted, tenants will ultimately build up equities against which penalties may be assessed.

Compensation for Disturbance:

Compensation for disturbance when either party to a lease agreement breaks it on short notice without justification is another desirable feature of good leasing practice. A landlord is deemed to be justified in terminating a lease, and therefore not liable for compensation payments to his tenant, when he is bankrupt and compelled by eminent-domain proceedings to sell his farm, when he desires to operate the farm personally, or when the tenant has failed to pay the rent or does not follow good practices of husbandry.

Annual leases that are automatically continued in the absence of written notice to the contrary and that contain compensation for disturbance provisions often continue in effect for years and are recognized as having some advantages over long-term leases with definite termination dates.

Provision for Arbitration:

Lease provisions such as those described above tend to give rise to problems requiring adjustment between landlords and tenants. Hence provisions for arbitrating differences should be established in lease agreements, or in the lease laws of the State.

THE SITUATION CALLS FOR ACTION

The foregoing pages present an interpretation of our national objectives with respect to the land and the farmers who occupy it; point out how far we have fallen short of attaining these objectives; appraise the influences in a changing world that are operating to perpetuate maladjustment, reduce farm ownership, and increase farm tenancy; review remedial actions already taken and suggest further desirable lines of action. The problem is admittedly complex and difficult to present clearly and precisely. It is, however, very real and very deeply rooted. It may be viewed at first hand by anyone who flies by plane above our eroded farm lands, travels by train across our great commonwealths, motors over country roads in hundreds of rural counties, or enters the barren homes of many of the nearly half-million farm families whose total cash incomes fall below \$250 a year. The situation calls for action. Without undue delay, appropriate steps should be taken to bring about a better distribution of people on the land, to strengthen the ties that bind farm families to their farm homes, to increase farmers' purchasing power, and by all these and other means to safeguard and strengthen the foundations of our democracy.

- (1) Report of the President's Committee on Farm Tenancy, February 1937 (Prepared under the auspices of the National Resources Committee and published at Washington, D. C., 108 Pages) pp. 4, 85, 81, 13, 80, 25.
- (2) "Disadvantaged Classes in American Agriculture," Social Research Report No. VIII, U. S. Department of Agriculture. By Carl C. Taylor, Helen W. Wheeler, and E. L. Kirkpatrick. 124 Pages - p. 5.
- (3) "Disadvantaged People in Rural Life." Proceedings Twenty-First Country Life Conference. Lexington, Kentucky, November 2-4, 1938. Published at Chicago, Illinois. 176 Pages - p. 115.
- (4) Public - No. 210 - 75th Congress. (Chapter 517 - 1st Session) H. R. 7562 - "The Bankhead-Jones Farm Tenant Act." 12 pages - pp. 1, 2.
- (5) Report and Recommendations of the Farm Tenancy Committee, Iowa State Planning Board. October 1938. 63 Pages. pp. 34, 33.
- (6) "Rural America" - Published Monthly by the American Country Life Association, 297 Fourth Avenue, N. Y. Volume XVIII, No. 7, October 1939. 16 Pages - p. 3.

1. The first part of the report deals with the general situation of the country and the results of the survey.

2. The second part of the report deals with the results of the survey in the different districts.

3. The third part of the report deals with the results of the survey in the different districts.

4. The fourth part of the report deals with the results of the survey in the different districts.

5. The fifth part of the report deals with the results of the survey in the different districts.

6. The sixth part of the report deals with the results of the survey in the different districts.